



DEMOCRATIC POLICY COMMITTEE **TALKING POINTS**

TP-61-Social Security

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Democratic Lockbox Extends Social Security Solvency and Eliminates the Debt

Democrats stand ready to enact a real Social Security lockbox that reserves the entire Social Security surplus for Social Security, and extends the solvency of the Social Security trust funds from 2034 to 2050. The Democratic lockbox proposal also eliminates the public debt by 2015 and extends Medicare solvency.

The Republicans say it is enough not to raid Social Security—their scheme does nothing to address the solvency of this critical program. In fact, through this year's appropriations process, Republicans have already gone back on their lockbox promise and, according to the Congressional Budget Office (CBO), raided \$17 billion of the Social Security surplus.

The Democratic Social Security lockbox ensures that another generation will receive the benefits of Social Security. The Democratic lockbox proposal lays out steps we need to take to protect Social Security and Medicare for future generations. Our plan:

- extends the life of Social Security from 2034 to 2050 by reinvesting the interest savings from debt reduction resulting from Social Security surpluses;
- establishes a Medicare surplus reserve equal to one-third of any on-budget surpluses accrued between 2000 and 2009;
- creates a real lockbox to further protect Social Security and Medicare by extending budget enforcement rules, including pay-as-you-go budget rules; and
- eliminates the public debt by 2015.

The Democratic lockbox extends Social Security solvency to 2050. The Social Security Administration Office of the Actuary confirms that the Democratic plan would extend the life of the Social Security trust funds from 2034 to 2050. This is an additional 16 years of solvency added to the life of the trust fund. So-called lockbox proposals by the Republicans would have used any interest savings to pay for a tax cut with costs that would have exploded over time.

Democratic Policy Committee
United States Senate
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Tom Daschle, Chairman
Byron Dorgan, Co-Chairman

The Democratic plan devotes the entire Social Security surplus to debt reduction. Our plan devotes the entire Social Security surplus to reducing the Federal debt held by the public. Under our proposal, debt held by the public would be reduced \$3.1 trillion over the next 15 years and eliminated by 2015.

Using Social Security surpluses for debt reduction produces interest savings that can be used to extend solvency. By paying down debt held by the public, the Democratic lockbox proposal dramatically reduces the Federal Government's interest costs. The Democratic proposal transfers these interest savings to the Social Security trust fund over the period 2011 to 2044. If the Social Security surpluses were spent rather than used to pay down the debt, the Federal Government's interest payments would be \$163 billion in 2011. By devoting a decade of Social Security surpluses to debt reduction this figure is slashed to \$56 billion—a \$107 billion savings for the government in 2011 alone. Our plan would plow these savings back into Social Security to extend solvency.

The Democratic plan strengthens Medicare. The Democratic lockbox reserves one-third of the non-Social Security surplus to strengthen and modernize Medicare. Our plan provides the flexibility to add a greatly needed prescription drug benefit. Republican lockbox proposals do nothing for Medicare.

The Republicans' Social Security lockbox is phony and does not add a single day to Social Security or Medicare solvency. This year, Senate Republicans have proposed a phony lockbox that does nothing for Medicare, does not adequately protect Social Security, and establishes annual public debt limits that risk default. In addition, the Republican lockbox includes a trap door—any legislation that Republicans label “Social Security reform” could use Social Security surpluses for any number of purposes unrelated to paying Social Security benefits, including privatizing Social Security or paying for tax cuts. The Republican lockbox does not add a single day to the solvency of Social Security and could actually shorten the life of the Social Security program as we know it today.

Republicans already have raided Social Security this year. The CBO says the Republican appropriations bills spend the Social Security surplus in FY 2000. An October 28 letter from the Director of CBO to Congressman Spratt shows that Republican spending proposals would use \$17 billion of the Social Security surplus in fiscal year 2000. In addition, just a few months ago, Republicans passed a massive, reckless tax cut plan that would have spent \$83 billion of the Social Security surplus over fiscal years 2005 to 2008.